

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** August 17, 2011  
**POSITION:** Oppose unless amended

**BILL NUMBER:** AB 664  
**AUTHOR:** T. Ammiano

### **BILL SUMMARY:** Infrastructure Financing Districts

Existing law authorizes the City and County of San Francisco to create an infrastructure financing district (IFD) that includes specified waterfront property on land that is under the jurisdiction of the Port of San Francisco (Port).

This bill would modify the existing procedures for adopting an infrastructure financing plan for the IFDs in the waterfront area known as the America's Cup District and for the area known as Treasure Island.

### **FISCAL SUMMARY**

This bill would allow the IFDs to redirect future property tax revenue growth from the City and County of San Francisco and from special districts located in that county. By doing so, this bill would reduce the amount of future property tax the City and County and the special districts pay to the ERAF by an indeterminate amount. This would result in a corresponding loss of Proposition 98 General Fund-offsetting revenue by the City and County's K-14 schools.

We do acknowledge the possibility that the construction associated with this bill may increase assessed property values in San Francisco outside the IFD, which could generate an unknown amount of additional property tax revenues for K-14 schools as well as income and sales taxes both during the racing and afterwards. This revenue could offset the state's Proposition 98 General Fund costs.

Finance therefore estimates this bill would have an indeterminate Proposition 98 General Fund impact.

### **COMMENTS**

Finance opposes this bill unless it is amended:

- While Finance acknowledges the schedule for the completion of the infrastructure for the America's Cup venue may not permit placing the infrastructure bond financing on the ballot, and it is unclear that any voters reside in the proposed America's Cup IFD, the rationale for the inclusion of the proposed Treasure Island IFD in this bill is unclear. The Treasure Island IFD would effectively replace the existing Treasure Island redevelopment agency (RDA) and, given recent changes in RDA law, policies governing IFD financing should be addressed before the approval of new IFDs. Approval of the proposals contained in this bill concerning the Treasure Island IFD could also create pressures to approve other IFDs on similar terms. Finance therefore opposes this legislation unless the July 12, 2011 amendments providing for the inclusion of the Treasure Island IFD in the bill are removed.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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T. Ammiano

August 17, 2011

AB 664

**ANALYSIS****A. Programmatic Analysis**

Current law provides for Educational Revenue Augmentation Funds (ERAF) in each county. Redirected property tax allocations from cities, counties, and special districts are paid into these ERAFs for further disbursement to school districts. These shifts reduce the state's General Fund obligations to fund education by an amount equal to the redirected funds.

Chapter 664, Statutes of 2010 (AB 1199, Ammiano) enacted modified procedures for adopting an infrastructure financing plan for the Pier 70 IFD and for issuing bonds financed by projected increases in property taxes. That bill specified that the Pier 70 IFD need not make payments to the county ERAF.

Under current law:

- Sections of San Francisco's waterfront and adjacent trust properties are declared blighted and therefore require the use of public financing. Per existing law, the IFD's authority would be limited only to publicly owned property, although an opt-in provision is included for private property owners.
- The San Francisco waterfront IFD is permitted to receive property tax increment revenue for 45 years, as opposed to the standard 30 years.
- The San Francisco IFD's plan is required to include specified descriptive and financial information and a set aside of at least 20 percent of its property tax increment revenue to be spent for shoreline restoration, removal of bay fill, or waterfront public access, or environmental remediation.
- The San Francisco Board of Supervisors is prohibited from diverting property tax increment revenues from another taxing jurisdiction without that jurisdiction's approval unless the taxing jurisdiction fails to respond within 60 days.
- For the purposes of the San Francisco IFD, the activities whose costs are eligible to be covered by an IFD are:
  - Seismic and life-safety improvements.
  - Environmental remediation work.
  - Landmark rehabilitation.
  - Structural work on piers, seawalls, and wharves.
  - Hazardous material remediation.
  - Construction of storm water management facilities, other utility infrastructure, and public access improvements.

This bill would allow San Francisco to form special waterfront infrastructure financing districts for the Port America's Cup and Treasure Island areas. Specifically, this bill would:

- Provide that the "Port America's Cup District" means a waterfront IFD that includes the waterfront area in the City and County of San Francisco designated as America's Cup venues, excluding the Rincon Point-South Beach Redevelopment Project Area.
- Allow the San Francisco Board of Supervisors to create one or more Treasure Island special waterfront IFDs. The bill defines the Treasure Island property to include both Treasure Island,

T. Ammiano

August 17, 2011

AB 664

except for the Coast Guard property, and Yerba Buena Island, except for the Jobs Corps property. A Treasure Island special waterfront IFD cannot include a redevelopment project area.

- Specify that the America's Cup IFD ERAF share, which this bill would define as that portion of the property tax revenue redirected from the City and County to the America's Cup IFD that would otherwise have been allocated to ERAF, shall only be used to finance the following:
  - Construction of the Port of San Francisco's cruise terminal project at Pier 27.
  - Planning and design work that is directly related to the Port's Pier 27 cruise terminal project.
  - Planning, design, and construction of improvements to publicly-owned waterfront lands held by trustee agencies, such as the National Park Service and the California State Parks, and used as public spectator viewing sites for America's Cup related events.
- Require that an America's Cup enhanced financing plan provide that the proceeds of ERAF-secured debt are restricted for use to finance directly, reimburse the Port for its costs related to, or refinance other debt incurred, in the construction of the Port's cruise terminal project.
- Require 20 percent in the aggregate of the America's Cup ERAF share allocated to the Port be set aside to finance costs of improvement to federally or state owned waterfront lands approved by trustee agencies for the purpose of public spectator viewing sites for America's Cup related events.
- Require the San Francisco Board of Supervisors (Board), before any debt can be issued for the America's Cup District, or a Treasure Island IFD, to submit a fiscal analysis to the California Infrastructure and Economic Bank (I-Bank) for review and approval, and authorize the I-Bank to circulate the fiscal analysis to other state agencies, including, but not limited to, the Department of Finance, the Department of Housing and Community Development, and the Governor's Office of Planning and Research, and solicit their comments and recommendations. I-Bank shall, within 30 days from receipt of the America's Cup IFD fiscal analysis and within 45 days of the receipt of the Treasure Island fiscal analysis, after considering the comments and recommendations, take one of the following actions:
  - Approve the fiscal analysis if the I-Bank can make the finding that the economic activity proposed to occur as a result of hosting the America's Cup event would result in an amount of revenue to the General Fund with a net present value that is greater than the amount of property tax increment that would be diverted from ERAF over the term of the America's Cup District.
  - Return the fiscal analysis to the Board with specific recommendations for changes that would allow the I-Bank to approve the fiscal analysis.
- Waive procedures in current law for issuing IFD bonds that require obtaining 2/3-voter approval, and publishing notices before selling the bonds at a discount.
- Change the starting date for waterfront IFDs' bonds to the date on which the waterfront IFD received an aggregate of \$100,000 in property tax increment revenues, rather than the actual sale date of the bond.
- Allow the City and County of San Francisco to buy facilities that a waterfront IFD constructs, either entirely or in phases, once a facility's purchase value is more than \$1 million.

T. Ammiano

August 17, 2011

AB 664

- Require a Treasure Island waterfront IFD to spend at least 20 percent of its property tax increment revenues on affordable housing on Treasure Island. The affordable housing units may be located anywhere on Treasure Island. Assisted rental units must remain affordable for at least 55 years, and assisted ownership units must remain affordable for at least 45 years.

Finance acknowledges the schedule for completion of the America's Cup venue may not permit placing the required infrastructure bond financing on the ballot, this bill would allow waterfront IFDs to incur public debt without voter approval. Generally, the Administration supports voter approval of bonds.

#### B. Fiscal Analysis

This bill would allow the IFDs to redirect future property tax revenue growth from the City and County of San Francisco and from special districts located in that county. By doing so, this bill would reduce the amount of future property tax the City and County and the special districts pay to the ERAF by an indeterminate amount. This would result in a corresponding loss of Proposition 98 General Fund-offsetting revenue by the City and County's K-14 schools.

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
0001/Major Rev	SO	Yes	-----	See Fiscal Analysis				-----	0001